

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 EB-08 SS-15 COME-00 CIAE-00 INR-07
NSAE-00 NSC-05 TRSE-00 AGRE-00 SP-02 OES-07
DODE-00 /057 R

DRAFTED BY EUR/EE:GTBOUTIN/RN
APPROVED BY EUR:GVEST
EUR/EE:CWSCHMIDT
E:EJOHNSTON
EB:RHORMATS
EB/FFP:SJOHNSON

-----109073 231409Z /40

R 220223Z OCT 77
FM SECSTATE WASHDC
TO AMEMBASSY WARSAW

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E.O. 11652:N/A

TAGS:EEWT, OVIP (OLSZEWSKI, JERZY)

SUBJECT: VISIT OF MINISTER OF FOREIGN TRADE OLSZEWSKI

REF: WARSAW 7400

1. SUMMARY: IN ADDITION TO THEIR MEETINGS AT THE COMMERCE
DEPARTMENT AND THE TREASURY DEPARTMENT, MINISTER OF FOR-
EIGN TRADE OLSZEWSKI AND THE MEMBERS OF HIS PARTY HAD
MEETINGS WITH SENIOR OFFICIALS AT THE STATE DEPARTMENT ON
MONDAY, OCTOBER 17. THE MEETINGS AT THE STATE DEPARTMENT
WERE DOMINATED BY POLAND'S PROPOSAL FOR AN AGRICULTURAL
AGREEMENT INCLUDING CREDITS, BUT QUOTAS FOR POLISH FISHING
VESSELS AND MARKET ACCESS WERE ALSO RAISED. MR. VEST
RAISED THE PROBLEM OF DIVIDED FAMILIES AND PROPERTY ACQUI-
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2. MINISTER OLSZEWSKI ACCOMPANIED BY VICE MINISTERS KRZAK
AND SZOTEK AND OTHER MEMBERS OF THE MINISTER'S PARTY MET
WITH UNDERSECRETARY COOPER ON MONDAY AFTERNOON. THE MINI-
STER BEGAN WITH A LENGTHY REVIEW OF THE POLISH AGRICULTURAL
SITUATION. HE NOTED THAT THE US HAS A GRAIN SURPLUS, AND
THAT POLAND IS IN NEED OF THAT GRAIN. THE POLISH GOVERN-
MENT BELIEVES IT WILL NEED TO IMPORT GRAIN FOR THE NEXT
TEN YEARS. THE MINISTER NOTED THAT IN 1971 POLAND BOUGHT

ONLY \$32 MILLION DOLLARS WORTH OF GRAIN FROM THE US. IN 1976 THAT FIGURE WAS ALREADY \$650 MILLION DOLLARS. HE PROPOSED THAT THE UNITED STATES AND POLAND DISCUSS THE CONCLUSION OF A LONG-TERM AGREEMENT PERHAPS FOR A PERIOD OF TEN YEARS WHICH WOULD COMMIT POLAND TO PURCHASE 4-5 MILLION TONS OF GRAIN EACH YEAR AND WOULD PROVIDE US CREDITS ON SEVEN YEAR TERMS TO FINANCE THOSE PURCHASES. THE MINISTER SAID THAT IN FOUR OR FIVE YEARS POLAND'S BALANCE OF PAYMENTS POSITION WILL IMPROVE SUBSTANTIALLY, PRINCIPALLY BECAUSE OF THE LARGE INVESTMENTS IN NATURAL RESOURCES THAT POLAND IS MAKING NOW. THE MINISTER SAID HE APPRECIATED CCC CREDITS BUT THAT THERE WERE TWO DIFFICULTIES: 1) THOSE CREDITS HAD TO BE REPAID WITHIN THREE YEARS 2) THEY HAD TO BE REPAID IN THREE ANNUAL INSTALLMENTS. POLAND WOULD LIKE TO HAVE LONGER TERMS AND A GRACE PERIOD. AFTER SOME DISCUSSION THE MINISTER TOLD COOPER THAT THE POLES WOULD LIKE TO HAVE A THREE YEAR GRACE PERIOD AND WOULD THEN REPAY THE AGRICULTURAL CREDITS OVER A PERIOD OF FOUR YEARS. IN ADDITION, POLAND WOULD PROVIDE TO ITS PARTNER UNDER THE AGRICULTURAL AGREEMENT THE FINANCIAL AND ECONOMIC INFORMATION WHICH IT NOW PROVIDES TO EXIMBANK. IN RESPONSE TO A QUESTION FROM COOPER THE MINILIMITED OFFICIAL USE LIMITED OFFICIAL USE

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STER SAID THAT THE INTEREST RATE ON THESE LOANS COULD FLOAT, THAT IS THE RATE WOULD BE DESIGNATED SOME PERCENTAGE ABOVE THE LIBOR.

2. THE MINISTER SAID HE HAD A SECOND SUBJECT HE WOULD LIKE TO TAKE UP WITH MR. COOPER. HE NOTED THAT WE ALREADY HAVE MANY COOPERATION AGREEMENTS BETWEEN OUR FIRMS. HE SINGLED OUT THOSE WITH GROVER, INTERNATIONAL HARVESTER, CLARK, SINGER AND GE. OLSZEWSKI SAID HE THOUGHT THIS WAS A GOOD WAY TO INCREASE EXPORTS SO THAT POLAND COULD OVERCOME ITS LARGE TRADE DEFICIT WITH THE US. HE THOUGHT THE TRADITIONAL POLISH EXPORTS LIKE HAM, TEXTILES AND FOOTWEAR COULD NEVER EARN MORE THAN ABOUT \$200 MILLION DOLLARS. HOWEVER, OLSZEWSKI SAID HE WAS EXTREMELY CONCERNED ABOUT THE GOLF CART CASE BECAUSE THAT IT MIGHT ESTABLISH A PRECEDENT. HE NOTED THAT THERE ARE MANY ORGANIZATIONS IN POLAND THAT WOULD LIKE TO SELL TO THE US, BUT MANY OF THEM ARE AFRAID THAT ONCE THEY MAKE THE REQUIRED INVESTMENTS AND BEGIN ENTERING THIS MARKET THEY WILL FACE DUMPING PROBLEMS.

3. OLSZEWSKI THEN RAISED THE SUBJECT OF POLAND'S FISHING QUOTAS. HE NOTED THAT LAST YEAR HE HAD PERSONALLY ISSUED STRICT ORDERS THAT POLAND'S FISHING VESSELS SHOULD WORK WITHIN THE US RULES AND REGULATIONS AND THAT THERE HAD BEEN NO SERIOUS PROBLEMS BETWEEN POLISH SHIPS AND US

AUTHORITIES. NOW HE HAS LEARNED THAT POLAND'S QUOTAS ARE

TO BE REDUCED BY MORE THAN 50 . HE SAID THAT THIS WAS A GREAT CONCERN TO HIM PARTICULARLY BECAUSE IT APPEARED THAT POLAND'S QUOTAS ARE BEING CUT BY A LARGER PERCENTAGE THAN THE QUOTAS OF OTHER COUNTRIES.

4. COOPER TOLD THE MINISTER THAT HIS PROPOSED AGREEMENT ON AGRICULTURAL COOPERATION IS INTERESTING AND SAID WE WILL LOOK AT IT. IN THE VERY SHORT RUN HOWEVER THERE IS LIMITED OFFICIAL USE
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NO WAY WE CAN GRANT SEVEN YEAR CREDITS. HE EXPRESSED UNDERSTANDING OF POLAND'S CONCERN WITH OUR ANTIDUMPING LAW, AND NOTED THAT IN GENERAL THE US MARKET IS VERY OPEN. WE WANT TO BE SURE THE SYSTEM OPERATES FAIRLY SO WE MUST ACT AGAINST DUMPING, SUBSIDIES AND PREDATORY MARKET DEVELOPMENT. HE NOTED THAT SOME LDC'S HAVE REQUIRED US FIRMS TO EXPORT A CERTAIN PERCENTAGE OF THEIR PRODUCTION FROM THE LDC TO THE US. THIS IS NOT A PROBLEM WITH POLAND, BUT HE WANTED THE POLES TO KNOW THAT HE EXPECTS THERE WILL SOON BE LEGISLATION MAKING SUCH EXPORT REQUIREMENTS ILLEGAL. HE SUGGESTED THAT THE POLISH EMBASSY ARRANGE FOR POLISH ECONOMIC OFFICIALS TO MEET WITH OFFICIALS OF STATE, TREASURY AND STR TO DISCUSS THE US LAW ON DUMPING, COUNTERVAILING DUTIES AND OTHER UNFAIR PRACTICES. ON FISHING QUOTAS, HE SAID THAT WE DO HAVE A GENERAL REDUCTION IN QUOTAS THIS YEAR BUT THAT WE PROPOSE TO TREAT ALL COUNTRIES EQUALLY WITH THE EXCEPTION OF MEXICO AND SPAIN. THE UNDERSECRETARY SAID THAT HE WOULD INQUIRE WHY THE QUOTAS ARE BEING REDUCED SO MUCH.

5. AFTER THEIR MEETING WITH MR. COOPER, THE POLISH DELEGATION WBNT TO THE OFFICE OF ASSISTANT SECRETARY FOR EUROPEAN AFFAIRS GEORGE VEST FOR A MEETING WITH MR. VEST AND WITH ACTING ASSISTANT SECRETARY FOR ECONOMIC AND BUSINESS AFFAIRS ROBERT HORMATS. THE MINISTER AGAIN REVIEWED POLAND'S AGRICULTURAL SITUATIONANDPROPOSED AN AGRICULTURAL AGREEMENT. HE SAID THAT AN AGREEMENT ON AGRICULTURAL COMMODITIES WOULD HAVE BOTH POLITICAL AND ECONOMIC SIGNIFICANCE. MR. HORMATS TOLD THE POLES THAT WE ARE STUDYING POSSIBILITIES FOR AN INTERMEDIATE CREDIT PROGRAM. IF WE DECIDE TO IMPLEMENT SUCH A PROGRAM IT MIGHT BE OF BENEFIT TO POLAND. MR. VEST SAID THAT WE WOULD BE GLAD TO TAKE A LOOK AT THE CONCRETE PROPOSALS PRESENTED BY THE LIMITED OFFICIAL USE
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MINISTER. OLSZEWSKI THEN TURNED AGAIN TO THE QUESTION OF

FISH QUOTA- AND ASKED THAT THE US REEXAMINE POLAND'S QUOTAS. VEST SAID THAT WE WOULDREEXAMINE THE QUOTAS.

6. THE MINISTER THEN ASKED VICE MINISTER KRZAK TO TALK ABOUT THE PROBLEM OF LEGAL LENDING LIMITS. KRZAK SAID THAT POLAND UOULD LIKE TO BE TREATED AS ARE THE OTHER WESTERN COUNTRIES. POLAND HAS ONLY ONE TRADE BANK WHICH

IS PRINCIPALLY OWNED BY THE STATE. IF THE US FOLLOWS THE PRINCIPLE THAT A US BANK MAY NOT LOAN MORE THAT 10 OF ITS CAPITAL TO A SINGLE BORROWER THIS WOULD SEVERELY LIMIT THE AMOUNT OF CREDIT THAT CAN BE EXTENDED TO POLAND. IN EFFECT ANY LOAN TO A POLISH INSTITUTION IS TREATED AS A LOAN TO THE SAME BORROWER -- THE POLISH GOVERNMENT. POLAND WOULD LIKE TO HAVE MORE FLEXIBILITY. IN PARTICULAR IT WOULD LIKE TO HAVE ITS LARGE INDUSTRIES, WHICH ARE RESPONSIBLE FOR THEIR OWN BALANCE SHEETS, LOOKED UPON AS SEPARATE ORGANIZATIONS. THIS WOULD BE PARTICULARLY HELPFUL IN FINANCING THE DEVELOPMENT OF THE COPPER INDUSTRY WHICH HAS BEEN SET UP AS A SEPARATE ENTITY. BANK HANDLOWY EXCHANGES FOREIGN CURRENCY INTO ZLOTYS FOR THE COPPER INDUSTRY, BUT THIS IS MERELY A TECHNICAL SERVICE. MR. HORMATS REPLIED THAT IN THE CASE OF POLAND THE ULTIMATE GUARANTOR OF ANY LOAN TO A POLISH ENTITY IS THE CENTRAL GOVERNMENT. VICE MINISTER KRZAK SAID THAT WITH A STATE GUARANTEE THERE IS LESS RISK AND HE ASKED THAT WE LOOK INTO THIS QUESTION.

7. MR. VEST SAID THAT WE WOULD SERIOUSLY CONSIDER THE POINTS THAT THE POLES HAD MADE, BUT AT THE SAMETIME, HE DID NOT WANT THE POLISH DELEGATION TO LEAVE HIS OFFICE WITHOUT HEARING ABOUT TWO POINTS WHICH WE CONSIDER IMPORTANT. HE SAID THAT THE DIVIDED FAMILY ISSUE WAS DISCUSSED BY THE PRESIDENT WITH THE FOREIGN MINISTER IN NEW YORK. THE LIST IS STILL GROWING RATHER THAN DELIMITED OFFICIAL USE
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CREASING. WE STILL HAVE ABOUT 300 CLOSE RELATIVES ON OUR DIVIDED FAMILIES LIST. MR. VEST SAID THAT SOMETHING SHOULD BE DONE ABOUT THE DIVIDED FAMILY CASES BEFORE THE PRESIDENT GOES TO WARSAW. SECONDLY, WE HAVE A SMALLER PROBLEM, THAT OF ACQUIRING BUILDING SITES IN WARSAW AND IN KRAKOW. VEST SAID THAT WE OUGHT TOSOLVE THIS PROBLEM BEFORE THE PRESIDENT GOES TO WARSAW TOO. KRZAK REPLIED THAT HE THOUGHT A SOLUTION TO THE PROPERTY PROBLEM WAS POSSIBLE.

8. COMMENT: POLAND'S REQUEST FOR AGRICULTURAL CREDITS WILL DOMINATE OTHER BILATERAL ISSUES FOR THE FORESEEABLE FUTURE. WE ARE LOOKINGAT VARIOUS POSSIBILITIES AND WHILE NONE OF THEMSEEMSPARTICULARLY HOPEFUL AT THE MOMENT

THERE MAY BE A POSSIBILITY OF DOING SOMETHING TO RESPOND
TO THE POLISH REQUEST BY THE TIME OF COMMISSION MEETING &
THE PRESIDENTIAL VISIT. ON FISH QUOTAS, THE POLES ARE
NOT SATISFIED WITH THE ANSWERS THEY RECEIVED IN A MEETING
AT THE STATE DEPARTMENT OFFICE OF FISHERIES AFFAIRS ON
FRIDAY, OCTOBER 14. WE ARE INDEED LOOKING INTO THE QUES-

TION OF FISH QUOTAS. HOWEVER WE DO NOT AT THIS TIME
EXPECT THAT THERE WILL BE A SUBSTANTIAL INCREASE IN THE
POLISH FISHING QUOTAS. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ITINERARY, MINISTERIAL VISITS, FOREIGN TRADE, DIPLOMATIC DISCUSSIONS
Control Number: n/a
Copy: SINGLE
Sent Date: 22-Oct-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE254297
Document Source: ADS
Document Unique ID: 00
Drafter: EUR/EE:GTBOUTIN/RN
Enclosure: n/a
Executive Order: N/A
Errors: n/a
Expiration:
Film Number: D770390-1215
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197710108/baaaaeuch.tel
Line Count: 230
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 799ec924-c288-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators:
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 02-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 754794
Secure: OPEN
Status: NATIVE
Subject: VISIT OF MINISTER OF FOREIGN TRADE OLSZEWSKI
TAGS: EEW, OVIP, US, (OLSZEWSKI, JERZY)
To: WARSAW
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/799ec924-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009